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March 12, 2014

Sent electronically to: comments@pcaobus.org

Office of the Secretary
PCAOB
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Reference: Request for Public Comment: *Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit*; PCAOB Release No. 2013-009; PCAOB Rulemaking Docket Matter No. 29

Dear Members of the Board:

EisnerAmper LLP (EisnerAmper) is pleased to comment on the Public Company Accounting Oversight Board's (PCAOB) concept release on disclosure in the auditor's report of certain participants in the audit. We provide audit, accounting, and tax services, as well as other advisory services to a broad range of clients across many industries in the New York, New Jersey, and Pennsylvania corridor and California. EisnerAmper is a PCAOB Independent Registered Public Accounting Firm with approximately 80 issuer audit clients.

We commend the PCAOB's effort to improve the transparency of public company audits and audit quality, and appreciate the opportunity to provide the following comments on the Proposed Auditing Standards.

As a result of our review of the proposed standards we have summarized our overall views below.

Disclosure of the Name of the Engagement Partner

- The engagement partner has an important role in an audit; however, identification of the name of the engagement partner puts undue emphasis on only that role. Almost all audits are a group effort conducted by teams of individuals. The engagement partner is the top of the engagement team pyramid but is supported by a much bigger base below. It is true that the engagement partner usually has the most direct relationship and serves as the primary interface with the audit committee and senior management, however, the staff on the audit often have the most direct relationship with the rest of management, the books and records and details of transactions. They are the first line and an important part of the audit process. Also integral in the audit is the firm methodology and audit model and the engagement quality control review to just name a few. All of these components make up the audit issued by the <u>firm</u> and not just the work of the individual engagement partner.

- The Board states in the proposal that based on more than ten years of oversight that the quality of individual audit engagements varies even within the same firm operating under firm-wide quality control systems. We agree with that statement. We would also agree that the quality of individual audit engagements may vary even among the same engagement partner. This is because that even though the role of the engagement partner responsible for the engagement is an important factor, there are many other factors that can contribute to that variability. We believe that the engagement partner only serves as a representative of the team. By including the name of the engagement partner in the audit report to encourage investors to "track" or "rate" an engagement partner's performance implies that the engagement partner's role is the only factor that investors should consider since they don't have access to any other contributing factors which can result in inappropriate conclusions about the engagement partner.

- The Board stated that many investors as well as some commenters believe that disclosing the name of the engagement partner in the audit report would prompt engagement partners to perform their duties with a heightened sense of accountability to the various users of the auditor's report. We respectfully disagree with that position and we encourage the Board to seek additional feedback from other communities, such as preparers, users and academia. We believe that engagement partners of issuer audits are well aware of their responsibilities and accountability in their role as the person with final authority and responsibility for the audit when they "sign off" to release the audit report. We do not believe that including their name in the audit report would increase or change that sense of accountability or responsibility since we believe that sense is already very high, therefore, it would not result in any incremental improvement in audit quality.

- One of the benefits to disclosing the name of the engagement partner per the proposal is that it would enable investors to research the number, size, and nature of companies and industries in which the partner served as engagement partner. Despite any perceived benefits of such research, it could only provide a very limited glimpse into the engagement partner's experience. A partner may have significant relevant experience on private companies, as the engagement quality control reviewer, obtained at levels below engagement partner, working in industry etc. that is not available to investors. By only considering an engagement partner's experience as the lead engagement partner on only public company audits, investors may come to inaccurate conclusions about the partner and question the audit committee's selection when in all likelihood, the audit committee is aware of the engagement partner's full experience.

Disclosure About Certain Other Participants in the Audit

- Currently, under PCAOB AU 543, the principal auditor makes the decision to make reference to the use of another auditor or to assume responsibility for the work of another auditor. When the principal auditor makes reference in their audit report to the report of another auditor, it is clear to the investors that the responsibility for the audit is divided. At the 2007 AICPA

National Conference on Current SEC and PCAOB Developments, Stephanie Hunsaker made the following remarks: "*Some registrants choose to include a reference to the use of a valuation firm or other expert in their periodic reports. There is no requirement under the '34 Act to obtain a consent from an expert. However, in cases where a registrant chooses to make reference to the use of a valuation firm or other expert in a periodic report, the staff expects the expert to be named. The rationale for naming the expert in the periodic report, even if no consent is required, is because management is referring to the use of an expert, and appears to be transferring some, or perhaps all, of the responsibility for an item in their financial statements. Investors who trade in the registrant's securities should know who that expert is. Of course, the registrant could simply choose to not make reference to the expert at all, and thus take full responsibility for the valuation.*" Based on these remarks, the conclusion is that if you are making reference to another, the appearance is that you are transferring some responsibility and if you are taking full responsibility, you should not make any reference to another. The Board's proposal to disclose in the auditor's report the name of the other auditor even though the principal auditor is assuming full responsibility for the work of the other auditor appears to be inconsistent with the above remarks. We are concerned that in situations when the principal auditor has decided to assume the responsibility for the work of the other auditor, the proposed naming of the other auditor in the audit report, would be misleading to any users that the principal auditor appears to discharge some of their responsibility to the other auditor. The reason the name of the other auditor is not currently disclosed under existing standards is because the principal auditor is ultimately taking full responsibility for the other auditor's work.

- The reproposal requires disclosure about other participants in the audit using a disclosure threshold of 5% of total audit hours. We believe this threshold is too low and suggest that a higher threshold (10% or more) may be a more acceptable level if the Board goes through with the proposal. A frequent quantitative rule of thumb when trying to determine whether something is immaterial is 5%. Without considering qualitative factors, 5% and below is usually considered immaterial. To illustrate using audit hours for a smaller issuer, if an issuer audit takes 1,000 hours to complete, a 5% threshold would be the use of another auditor for at least 50 hours which does not seem to be significant enough to be important to an investor.

- Throughout the proposal, the Board cites several examples of audit failures and non-compliance with the PCAOB AU 543 *Part of Audit Performed by Other Independent Auditors* standard as the reason why disclosure of certain other participants in the audit is needed since the disclosure would expose and therefore discourage such practices. The use of other auditors can be a very effective and efficient way to audit many issuers, especially companies with various locations. If the Use of Other Auditors standard is not being applied correctly or consistently, we suggest that more guidance or changes in that standard would be more effective at correcting the deficiencies instead of trying to correct it by changes to the reporting standards.

Consents

- We agree with the Board's assumption that engagement partners and participating accounting firms named in an auditor's report would have to consent to the inclusion of their names in an auditor's report filed with or incorporated by reference in another document filed under the Securities Act. We have several concerns relating to obtaining these consents:
    - The logistics of obtaining these consents all dated concurrently from an increased list of individuals and firms will absolutely have an impact on the timeliness of issuer's filings.
    - In the reproposal the Board states that requiring the consents would not change the performance obligation of any other participant in the audit. However, we respectfully disagree with that position. We expect that if another auditor audited the financial statements of a subsidiary, division, component etc. and that other auditor is now named in the auditor's report and needs to consent to the inclusion of their name, that other auditor would want to become more knowledgeable about the rest of the issuer that they were not involved in during the course of their work. At a minimum, the other auditor would need to follow PCAOB AU 550 *Other Information in Documents Containing Audited Financial Statements* which requires that the auditor read the entire document and consider if such other information, or the manner of its presentation, is materially inconsistent with the financial statements they audited. They would also need to perform updating procedures to update their audit report date to the consent date. This would be incremental work and would definitely increase their time on the engagement and therefore increase the issuer's audit costs. It would also impact the ability to timely file documents.

Thank you for the opportunity to comment. We are available to discuss our comments at your convenience if you require additional information.

Respectively submitted,

EisnerAmper LLP

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